

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Activities by Function	7
Statements of Cash Flows	9
Notes to Financial Statements	11
SUPPLEMENTAL INFORMATION:	
Schedules of Cash and Cash Equivalents	21

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Goodwill Industries of Mississippi, Inc.

Qualified Opinion

We have audited the accompanying financial statements of Goodwill Industries of Mississippi, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, activities by function, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Mississippi, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 2 to the financial statements, Goodwill Industries of Mississippi, Inc. does not record the value of donated goods received until such assets are sold. In our opinion, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, *Accounting for Contributions Received and Contributions Made*, requires Goodwill Industries of Mississippi, Inc. to recognize such contributions as revenues and assets in the period received at the estimated fair value of the donated goods. Quantification of the effects of that departure from U.S. generally accepted accounting principles on the financial statements of Goodwill Industries of Mississippi, Inc. is not practicable.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Goodwill Industries of Mississippi, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of Mississippi, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of Mississippi, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of Mississippi, Inc.'s ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements - continued:

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of cash and cash equivalents on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haddox Reid Eubank Betts PLLC

Ridgeland, Mississippi
July 13, 2023

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,097,540	3,469,698
Accounts receivable	93,744	149,048
Inventory	1	1
Prepaid expenses	<u>212,595</u>	<u>95,489</u>
	<u>5,403,880</u>	<u>3,714,236</u>
INVESTMENTS	<u>1,248,699</u>	<u>1,475,888</u>
LAND, BUILDINGS, AND EQUIPMENT, NET	<u>3,372,367</u>	<u>713,880</u>
OTHER ASSETS:		
Operating lease right-of-use assets	<u>2,571,946</u>	<u>-</u>
TOTAL ASSETS	\$ <u>12,596,892</u>	<u>5,904,004</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 135,067	64,448
Accrued liabilities	294,313	177,436
Current portion of note payable	101,005	-
Current portion of operating lease liabilities	<u>597,840</u>	<u>-</u>
	<u>1,128,225</u>	<u>241,884</u>
NONCURRENT LIABILITIES:		
Note payable, net of current portion	2,059,457	-
Operating lease liabilities, net of current portion	<u>2,011,751</u>	<u>-</u>
	<u>4,071,208</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,199,433</u>	<u>241,884</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>7,397,459</u>	<u>5,662,120</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>12,596,892</u>	<u>5,904,004</u>

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT:		
Operations:		
Store sales	\$ 6,019,998	5,287,307
Vocational services	769,242	793,034
Salvage	1,386,381	1,240,379
E-Commerce	471,256	400,012
Grant income	195,721	296,439
Total operations	<u>8,842,598</u>	<u>8,017,171</u>
Contributions:		
Goodwill Industries Volunteer Services	38,850	-
Other	109,350	96,112
Total contributions	<u>148,200</u>	<u>96,112</u>
Total revenue and support	8,990,798	8,113,283
COST OF GOODS SOLD	<u>182,500</u>	<u>115,243</u>
Gross profit	<u>8,808,298</u>	<u>7,998,040</u>
EXPENSES:		
Advertising	10,621	12,924
Awards, contributions, and grants	15,794	22,310
Credit card fees	123,523	95,614
Depreciation	140,639	145,794
Insurance	69,727	69,212
Membership	65,381	80,044
Miscellaneous	35,941	36,166
Occupancy	1,014,118	961,232
Personnel costs	4,324,949	3,906,521
Postage	505	1,688
Printing and publications	9,886	16,326
Professional and other administrative costs	113,531	175,062
Repair and maintenance	77,495	57,539

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF ACTIVITIES - CONTINUED:
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
EXPENSES - CONTINUED:		
Specific assistance	\$ 14,440	17,162
Supplies	194,522	111,520
Taxes and licenses	3,359	792
Technology	76,574	78,911
Telephone and utilities	173,610	171,220
Travel and conferences	98,515	113,652
Waste disposal	<u>273,228</u>	<u>209,310</u>
Total expenses	<u>6,836,358</u>	<u>6,282,999</u>
NON-OPERATING ACTIVITIES:		
Interest and miscellaneous income	18,779	12,101
Unrealized gain (loss) on investments	(247,883)	82,172
Paycheck protection forgiveness	-	701,908
Gain (loss) on disposition of land, buildings and equipment	<u>(7,497)</u>	<u>7,969</u>
Total non-operating activities	<u>(236,601)</u>	<u>804,150</u>
CHANGE IN NET ASSETS	1,735,339	2,519,191
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>5,662,120</u>	<u>3,142,929</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ <u>7,397,459</u>	<u>5,662,120</u>

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENT OF ACTIVITIES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022**

	Program Services					Management and Administrative Services	Total
	Stores and Contributed Goods Production	Vocational	Grants and Contracts	Salvage	E-Commerce		
REVENUE AND SUPPORT:							
Operations	\$ 6,019,998	769,242	195,721	1,386,381	471,256	-	8,842,598
Contributions	-	-	-	-	-	148,200	148,200
Total revenue and support	6,019,998	769,242	195,721	1,386,381	471,256	148,200	8,990,798
COST OF GOODS SOLD	104,603	-	-	-	77,897	-	182,500
Gross profit (loss)	5,915,395	769,242	195,721	1,386,381	393,359	148,200	8,808,298
EXPENSES:							
Advertising	335	-	-	-	-	10,286	10,621
Awards, contributions, and grants	12,284	800	11	-	-	2,699	15,794
Credit card fees	123,296	-	-	-	40	187	123,523
Depreciation	140,189	-	-	-	-	450	140,639
Insurance	65,032	-	-	-	-	4,695	69,727
Membership	42,248	5,376	1,992	9,689	3,293	2,783	65,381
Miscellaneous	5,942	309	15,251	-	445	13,994	35,941
Occupancy	959,479	-	-	-	18,241	36,398	1,014,118
Personnel costs	2,525,402	493,168	174,852	50,234	137,318	943,975	4,324,949
Postage	337	-	-	-	-	168	505
Printing and publications	1,551	-	-	-	-	8,335	9,886
Professional and other administrative costs	23,294	-	-	-	-	90,237	113,531
Repair and maintenance	75,595	-	-	676	558	666	77,495
Specific assistance	381	-	-	-	-	14,059	14,440
Supplies	58,342	730	1,994	4,316	2,289	126,851	194,522
Taxes and licenses	3,359	-	-	-	-	-	3,359
Technology	31,571	245	13,079	-	1,017	30,662	76,574
Telephone and utilities	154,325	1,440	2,843	-	1,901	13,101	173,610
Travel and conferences	4,112	15,441	37,912	49	-	41,001	98,515
Waste disposal	270,548	-	-	-	-	2,680	273,228
Total expenses	4,497,622	517,509	247,934	64,964	165,102	1,343,227	6,836,358
NON-OPERATING ACTIVITIES:							
Interest and miscellaneous income	-	-	-	-	-	18,779	18,779
Unrealized loss on investments	-	-	-	-	-	(247,883)	(247,883)
Loss on disposition of land, buildings and equipment	(7,497)	-	-	-	-	-	(7,497)
Total non-operating activities	(7,497)	-	-	-	-	(229,104)	(236,601)
CHANGE IN NET ASSETS	\$ 1,410,276	251,733	(52,213)	1,321,417	228,257	(1,424,131)	1,735,339

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENT OF ACTIVITIES BY FUNCTION
YEAR ENDED DECEMBER 31, 2021**

	Program Services					Management and Administrative Services	Total
	Stores and Contributed Goods Production	Vocational	Grants and Contracts	Salvage	E-Commerce		
REVENUE AND SUPPORT:							
Operations	\$ 5,287,307	793,034	296,439	1,240,379	400,012	-	8,017,171
Contributions	-	-	-	-	-	96,112	96,112
Total revenue and support	5,287,307	793,034	296,439	1,240,379	400,012	96,112	8,113,283
COST OF GOODS SOLD	39,820	-	-	-	75,423	-	115,243
Gross profit	5,247,487	793,034	296,439	1,240,379	324,589	96,112	7,998,040
EXPENSES:							
Advertising	-	-	-	-	-	12,924	12,924
Awards, contributions, and grants	13,726	4,920	-	-	-	3,664	22,310
Credit card fees	95,404	-	-	-	-	210	95,614
Depreciation	142,510	-	-	-	-	3,284	145,794
Insurance	62,255	-	-	-	1,236	5,721	69,212
Membership	53,765	7,098	2,653	11,102	3,580	1,846	80,044
Miscellaneous	640	-	6,197	10,670	-	18,659	36,166
Occupancy	928,678	-	-	-	10,266	22,288	961,232
Personnel costs	2,208,450	496,839	176,929	45,850	132,798	845,655	3,906,521
Postage	297	-	-	-	16	1,375	1,688
Printing and publications	5,665	211	270	-	-	10,180	16,326
Professional and other administrative costs	6,145	-	1,340	-	-	167,577	175,062
Repair and maintenance	47,176	-	420	-	-	9,943	57,539
Specific assistance	7,464	2	-	-	-	9,696	17,162
Supplies	35,998	257	1,105	7,757	-	66,403	111,520
Taxes and licenses	792	-	-	-	-	-	792
Technology	28,775	388	3,675	-	96	45,977	78,911
Telephone and utilities	155,821	2,042	2,954	-	637	9,766	171,220
Travel and conferences	4,514	15,223	29,876	294	31	63,714	113,652
Waste disposal	207,473	-	-	-	-	1,837	209,310
Total expenses	4,005,548	526,980	225,419	75,673	148,660	1,300,719	6,282,999
NON-OPERATING ACTIVITIES:							
Interest and miscellaneous income	701,908	-	-	-	-	12,101	714,009
Unrealized gain on investments	-	-	-	-	-	82,172	82,172
Gain on disposition of equipment	7,969	-	-	-	-	-	7,969
Total non-operating activities	709,877	-	-	-	-	94,273	804,150
CHANGE IN NET ASSETS	\$ 1,951,816	266,054	71,020	1,164,706	175,929	(1,110,334)	2,519,191

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	\$ 1,735,339	2,519,191
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	140,639	145,794
Noncash operating lease expense	831,485	-
Unrealized (gain) loss on investments	247,883	(82,172)
(Gain) loss on disposition of land, buildings, and equipment	7,497	(7,969)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	55,304	(2,762)
Increase in prepaid expense	(117,106)	(8,823)
Decrease in operating lease liabilities	(793,840)	-
Increase in accounts payable and accrued liabilities	187,496	5,182
Net cash provided by operating activities	<u>2,294,697</u>	<u>2,568,441</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(20,694)	(633,774)
Proceeds from the sale of land, buildings, and equipment	-	259,128
Purchases of land, buildings, and equipment	<u>(2,806,623)</u>	<u>(75,493)</u>
Net cash used in investing activities	<u>(2,827,317)</u>	<u>(450,139)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	<u>2,160,462</u>	-
Net cash provided by financing activities	<u>2,160,462</u>	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,627,842	2,118,302
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,469,698</u>	<u>1,351,396</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>5,097,540</u>	<u>3,469,698</u>

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF CASH FLOWS - CONTINUED:
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Operating lease right-of-use assets and lease liabilities recognized at January 1, 2022	\$ <u>3,365,566</u>	<u>-</u>

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Goodwill Industries of Mississippi, Inc. (Goodwill) was incorporated under the laws of the State of Mississippi on September 9, 1955, as a nonprofit corporation and has qualified as a tax-exempt organization under the Internal Revenue Code. Goodwill is a voluntary health and welfare organization that provides training and employment opportunities and sells donated goods to residents within the State of Mississippi.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Goodwill reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Contributions and Gifts

Cash contributions are recorded as support when received unless specified for use in future periods. Periodically, the governing board allocates various contributions to be set aside for scholarship grants. Goodwill reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Currently, all net assets of Goodwill are not restricted by donor-imposed stipulations.

Government and Other Grants

Goodwill receives grants from governmental agencies and certain foundations that are considered contributions under GAAP. Goodwill recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified by the grant agreement.

Functional Allocation of Expenses

The costs of program services and other activities have been summarized on a functional basis in the accompanying statement of activities by function. Certain costs have been allocated among the program services and management and general expense categories based on estimates made by management.

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market accounts, and other highly liquid investments with original maturities of three months or less. Because of the short-term nature of these investments, the estimated fair value of these investments approximates cost.

Accounts Receivable

Accounts receivable generally consists of amounts due from the Mississippi Department of Rehabilitation Services (MDRS). The MDRS contracts with Goodwill to provide certain professional services in connection with training of individuals to join the workforce. Management anticipates these amounts are fully collectible, and consequently, there is no allowance for uncollectible accounts recorded in the accompanying financial statements.

Inventory

The value of donated goods is not recognized as an asset or as revenues or gains until such assets are sold. Consequently, the fair value of donated assets on hand at December 31, 2022 and 2021,

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Inventory - continued:

is not included in the accompanying statements of financial position, as required by GAAP. The effect of this departure from GAAP on the 2022 and 2021 financial statements has not been quantified.

Property and Equipment

Depreciable assets are shown in the accompanying statements of financial position at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets ranging from five to thirty-nine years and is computed using the straight-line method. Maintenance, repairs, and minor renewals are charged to expense, whereas additions and major improvements are capitalized at cost. Items of land, buildings, and equipment retired or otherwise disposed of are removed from the asset and related accumulated depreciation accounts and any profits or losses from the disposition of assets are credited or charged through income.

Income Taxes

The Internal Revenue Service has recognized Goodwill as being exempt from Federal and state income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). However, Goodwill files an annual information return Form 990 with the Internal Revenue Service. Goodwill does not have unrelated business income and, therefore, does not file tax Form 990-T.

Accounting standards require the recognition and measurement of uncertain tax positions taken or expected to be taken by Goodwill in income tax issues. Goodwill has evaluated its tax positions and determined that it does not have any liability that should be accrued under the standards related to uncertain tax positions.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 "Leases" (Topic 842), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Lease liabilities are recognized at the present value of the future minimum lease payments over the lease term as of the commencement date plus any option periods that are probable of being exercised at the lease inception. Lease assets are recognized as the present value of future minimum lease payments over the lease term as of the commencement date, plus any initial direct costs incurred and lease

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Leases - continued:

payments made, less any lease incentives received. After the commencement date, lease cost for an operating lease is recognized over the remaining lease term on a straight-line basis. Topic 842 requires entities to use a modified retrospective transition method. Goodwill elected to apply the effective date adoption method with an effective date of January 1, 2022, and has elected to use the available package of practical expedients. There was no impact to retained earnings as a result of the adoption. The recognized balance of the ROU asset and liabilities were approximately \$3,400,000 as of the effective date.

Goodwill determines if an arrangement contains a lease at inception. If an arrangement is considered a lease, Goodwill determines at the commencement date whether the lease is an operating or finance lease. Goodwill only has operating leases, and therefore, after the commencement date, lease cost for the operating lease is recognized over the remaining lease term on a straight-line basis. Lease cost related to short-term leases is recognized on a straight-line basis over the lease term.

Revenue Recognition

Goodwill recognizes multiple revenue streams accounted for under FASB ASC 606, *Revenue from Contracts with Customers*, as follows:

Store Sales - Store sales consist of the sale of donated goods and new goods, and the sale of each individual item is recorded at the point of sale, the point at which the performance obligation for each individual item sold is met. Store sales do not include sales tax, because Goodwill is a pass-through conduit for collecting and remitting sales taxes. Returns are not allowed within the stores. Store merchandise is priced as marked or labeled.

Vocational Service - Vocational services are services provided by Goodwill to other organizations or private individuals for the purpose of training individuals for permanent employment. Performance obligations under each contract are defined in terms of the various performance indicators. Revenue for these services is recognized when the service has been provided as determined by the satisfactory completion of the contracts' defined performance indicators.

Salvage - Salvage revenue consists of donated goods that were unable to be sold in Goodwill's retail stores and are sold on the after-retail market. Salvage is sold in bundles FOB shipping at prices determined by existing customer agreements, and revenue from each individual bundle is recognized when the bundle is shipped to the customer.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Revenue Recognition - continued:

E-commerce - E-commerce sales consist of sales of donated books, jewelry, clothes, musical instruments and other items on ShopGoodwill.com, and related shipping and handling revenue. E-commerce sales are sold FOB shipping, and therefore, sales are recorded when the goods are shipped, the point at which the performance obligation for each individual item is met.

Use of Estimates

In preparing Goodwill's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The statements of functional expenses present expenses by function and natural classification. Goodwill allocates its expenses on a functional basis among its various program services and supporting activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on the basis of estimates of square footage and time and effort.

General Litigation

Goodwill is subject to claims that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position or results of operations of Goodwill.

NOTE 3 - INVESTMENTS

Authoritative guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are described as follows:

Level I - Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 - INVESTMENTS - CONTINUED:

Level II - Observable inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Company's own assumptions about the assumptions a market participant would use in valuing the asset or liability and would be based on the best information available.

The availability of observable inputs can vary greatly and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level III.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, the asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Goodwill holds an investment portfolio managed by a professional investment management group where funds are invested based on investment objectives determined by Goodwill. Fiduciary oversight of the portfolio is provided by the Board of Directors. These investments are recorded at fair value and are included in the accompanying statements of financial position. These investments consist of mutual funds and have quoted prices in active markets (Level 1). Cost and fair value of these investments as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cost	\$ 1,496,582	1,393,716
Net unrealized gains (losses)	<u>(247,883)</u>	<u>82,172</u>
Fair value	\$ <u>1,248,699</u>	<u>1,475,888</u>

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 4 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31, 2022 and 2021, are comprised of:

	December 31,	
	2022	2021
Land	\$ 170,561	50,561
Buildings	351,341	351,341
Machinery and equipment	62,526	53,002
Automobiles and transportation equipment	337,790	250,419
Office furniture and equipment	596,951	595,326
Leasehold improvements	736,079	731,311
Construction in progress	<u>2,533,024</u>	<u>-</u>
	4,788,272	2,031,960
Less accumulated depreciation	<u>1,415,905</u>	<u>1,318,080</u>
	<u>\$ 3,372,367</u>	<u>713,880</u>

On December 15, 2022, Goodwill purchased property in Greenville, Mississippi, consisting of land and building for \$2,410,462, which will be used for a retail store in that location. Since the purchase, Goodwill made improvements totaling \$227,562. The Greenville store did not open until February 23, 2023; therefore, the building and improvements are included in construction in progress above as of December 31, 2022.

NOTE 5 - NOTE PAYABLE

On August 12, 2022, Goodwill entered into a term note payable with a financial institution for \$2,160,242. Beginning January 12, 2023, the note is payable in monthly installments of \$17,052, including interest at 4.90%, with a balloon payment due on November 12, 2029. The note is collateralized by the land and building of Goodwill's Greenville retail store location.

Maturities of the note payable for years subsequent to December 31, 2022, are as follows:

2023	\$ 101,005
2024	106,067
2025	111,383
2026	116,965
2027	122,827
Thereafter	<u>1,602,215</u>
	<u>\$ 2,160,462</u>

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - LEASES

As discussed in Note 2, Goodwill adopted the new lease accounting standard effective January 1, 2022. Goodwill's financial results for reporting periods beginning on or after January 1, 2022, are presented under the new standard, while financial results for prior periods continue to be reported in accordance with the prior standard and Goodwill's historical accounting policy.

Goodwill has obligations as a lessee for retail space. Goodwill has classified these leases as operating leases. As of December 31, 2022, Goodwill had remaining lease terms up to eight years, and some leases have renewal options up to seven years that they intend to exercise. Variable lease costs are insignificant and are recognized as variable costs when incurred.

Rent expense for noncancellable operating leases for the years ended December 31, 2022 and 2021, was approximately \$930,000 and \$900,000, respectively.

Future minimum lease payments for operating leases as of December 31, 2022, is as follows:

2023	\$ 628,519
2024	548,883
2025	437,075
2026	312,580
2027	312,680
Thereafter	<u>470,686</u>
	2,710,423
Less imputed interest	<u>100,832</u>
	<u>\$ 2,609,591</u>

The weighted-average remaining lease term related to Goodwill's lease liability as of December 31, 2022, was 5.43 years. The weighted-average discount rate related to Goodwill's lease liability as of December 31, 2022, was 1.33%. Goodwill has elected to use the risk-free rate for its leases.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Goodwill has cash balances in accounts held by four financial institutions at December 31, 2022 and 2021, respectively, and, at times, balances may exceed federally insured limits. Goodwill has never experienced any losses related to these balances. These cash balances in excess of federal insured limits totaled \$4,355,614 on December 31, 2022, and \$2,792,828 on December 31, 2021.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 - COST OF GOODS SOLD

Cost of goods sold, reflected in the accompanying statements of activities, represents the cost of items purchased and resold by Goodwill during the years ended December 31, 2022 and 2021.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2022 and 2021, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,097,540	3,469,698
Accounts receivable	93,744	149,048
Investments	<u>1,248,699</u>	<u>1,475,888</u>
Total available for general expenditures within one year	\$ <u>6,439,983</u>	<u>5,094,634</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statements of financial position. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. Goodwill has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - PAYCHECK PROTECTION PROGRAM

On January 20, 2021, Goodwill received the proceeds of a second Paycheck Protection Program (PPP) loan in the amount of \$701,908, which was authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues (Economic Aid) Act, which was passed by Congress and signed into law on December 27, 2020, in response to the global pandemic declared by the World Health Organization as a result of the breakout of a novel coronavirus. The Small Business Association (SBA) PPP loan program is an economic incentive for employers to keep their workers on payroll over an eight to twenty-four week period, and is subject to forgiveness of payroll, rent, mortgage interest, and utilities incurred by the employers during that period. The PPP loan was fully forgiven by the SBA and recognized as income in the accompanying financial statements in 2021. The loan forgiveness recognized as income in the accompanying financial statements for the year ended December 31, 2021, was \$701,908. The loan is subject to potential audit by the SBA in future periods; however, management does not believe there will be any adjustment made to the amount of the forgiveness.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 11 - SUBSEQUENT EVENTS

On February 15, 2023, Goodwill purchased property in Hattiesburg, Mississippi, consisting of land and building for \$1,725,000, which will be used for a retail store in that location. In connection with the purchase, Goodwill entered into a term note payable with a financial institution for \$1,325,000. The note is payable in monthly installments of \$11,017, including interest at 5.69%, with a balloon payment due on February 15, 2030.

Except as described above, Goodwill had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through July 13, 2023, the date the financial statements were approved by Goodwill's management and thereby available to be issued.

SUPPLEMENTAL INFORMATION

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

SCHEDULES OF CASH AND CASH EQUIVALENTS

	December 31, <u>2022</u>	December 31, <u>2021</u>
BankPlus	\$ 800,065	802,203
Cadence Bank	117,200	116,838
Edward Jones	25,355	28,020
First Commercial Bank	100,632	100,481
Trustmark National Bank	4,049,388	2,418,606
Change Fund	<u>4,900</u>	<u>3,550</u>
	<u>\$ 5,097,540</u>	<u>3,469,698</u>